

## Message Text

CONFIDENTIAL

PAGE 01 PONTA 00377 01 OF 02 060603Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-08 COME-00 TRSE-00 AID-05 OMB-01 /073 W  
-----081130 060623Z /21

R 052000Z OCT 77  
FM AMCONSUL PONTA DELGADA  
TO SECSTATE WASHDC 1800  
INFO AMEMBASSY LISBON  
COMUSFORAZ

C O N F I D E N T I A L SECTION 1 OF 2 PONTA DELGADA 0377

E.O. 11652: N/A  
TAGS: PINT, PO  
SUBJECT: MOTA AMARAL DISCUSSES REGIONAL ECONOMY AND MAKES CABINET  
CHANGE

SUMMARY: IN A TELEVISION SPEECH SEPTEMBER 30, AZOREAN REGIONAL GOVERNMENT (RGA) PRESIDENT JOAO BOSCO MOTA AMARAL DISCUSSED THE SIZEABLE ECONOMIC PROBLEMS FACING THE ARCHIPELAGO AND PROPOSED SOLUTIONS, LARGELY DEPENDENT UPON THE GRANTING OF FINANCIAL AUTONOMY BY LISBON. ON THE EVE OF MOTA AMARAL'S ADDRESS, THE RGA ALSO ANNOUNCED THE APPOINTMENT OF A NEW SECRETARY FOR INDUSTRY AND COMMERCE. BOTH THE ADDRESS AND THE CABINET CHANGE WERE INTENDED TO RESTORE THE RECENT DECLINE OF PUBLIC CONFIDENCE IN THE RGA, WHICH STEMMED FROM SIGNS OF RGA INEFFECTIVENESS AS WELL AS MOTA AMARAL'S TACTICAL DISINCLINATION TO PLAY UP FRICTIONS WITH LISBON FOR SHORT TERM POLITICAL ADVANTAGE IN THE REGION. JUDGING FROM THE REACTION OF THE LOCAL PRESS AND INFORMED AZOREANS, THE PRESIDENT FAILED TO ACHIEVE HIS OBJECTIVE. END SUMMARY.

1. IN HIS TALK, MOTA AMARAL DWELLED ON THE REGION'S NEED TO INCREASE THE QUALITY AND QUANTITY OF ITS GOODS IN ORDER TO COMBAT THE EFFECTS OF INFLATION AND IMPROVE THE LOW STANDARD OF LIVING OF ITS PEOPLE. THE RGA'S INTENTION, HE SAID, WAS TO STIMULATE THE  
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PAGE 02 PONTA 00377 01 OF 02 060603Z

PRODUCTION OF GOODS AND SERVICES BY MOVING AWAY FROM GOVERNMENT IMPOSED, ARTIFICIALLY LOW PRICES AND SUBSIDIES FOR MOST BASIC GOODS. HE ALSO ANNOUNCED RGA PLANS TO CONSTRUCT A SYSTEM OF COLD STORAGE FACILITIES AROUND THE REGION TO STIMULATE THE MARKETING OF PERISHABLES, PARTICULARLY FISH, AND TO REDUCE PRICE FLUCTUATIONS. WHILE THE GOVERNMENT WOULD INTERVENE IN CERTAIN KEY SECTORS OF THE ECONOMY, THE MODEL FOR THE REGION'S DEVELOPMENT WAS A SOCIAL

DEMOCRATIC ONE WHICH RECOGNIZED THE FUNDAMENTAL ROLE OF PRIVATE ENTERPRISE.

2. AS HE HAS DONE ON OTHER OCCASIONS, MOTA AMARAL MADE A STRONG PITCH FOR VASTLY INCREASED FINANCIAL AUTONOMY FOR THE REGION. HE SAID THE FIRST STEP TOWARD THIS END SHOULD BE NATIONAL ASSEMBLY PASSAGE OF A "FOREIGN EXCHANGE BUDGET" BILL ALREADY APPROVED BY THE REGIONAL ASSEMBLY. ULTIMATELY, HE SAID, THE REGION MUST HAVE ITS OWN FOREIGN EXCHANGE FUND WHICH WOULD BE GENERATED BY AZOREAN EXPORTS AND REMITTANCES FROM ABROAD. THIS ARRANGEMENT WOULD PERMIT THE REGION TO PURCHASE SUPERIOR AND CHEAPER FOREIGN PRODUCTS RATHER THAN BE TIED TO THE LESS EFFICIENT AND MORE EXPENSIVE CONTINENTAL PORTUGUESE MARKET FOR SUCH ITEMS AS GASOLINE AND CEREALS. HE ALSO URGED THE CENTRAL GOVERNMENT TO PERMIT REGIONAL CONTROL OVER LOCAL PORTUGUESE CENTRAL BANK OPERATIONS WHICH WOULD PERMIT TERMS OF FINANCE CONSISTENT WITH THE DEVELOPMENT NEEDS OF THE ARCHIPELAGO. WITHOUT SUCH A CHANGE, HE SAID, THE REGION WOULD BE FOREVER SUBJECT TO DISADVANTAGEOUS CONTINENTAL ECONOMIC TUTELAGE. AT PRESENT, THE REGION NEEDED INVESTMENT INCENTIVES TO GET ITS ECONOMY MOVING, NOT THE FINANCIAL SHACKLES IMPOSED ON IT BECAUSE OF THE CONTINENT'S DIFFERENT ECONOMIC PROBLEMS.

3. MOTA AMARAL ALSO URGED THAT THE CHAOTIC AND DISORGANIZED TRANSPORTATION MONOPOLY, WHICH, HE SAID, INCREASES PRICES HERE AND THEREFORE INHIBITS ECONOMIC DEVELOPMENT, BE BROKEN. THE RECENT TAP STRIKE ILLUSTRATED GRAPHICALLY THAT THE REGION SHOULD NOT

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PAGE 03 PONTA 00377 01 OF 02 060603Z

CONFIDENTIAL

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PAGE 01 PONTA 00377 02 OF 02 060609Z  
ACTION EUR-12

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R 052000Z OCT 77  
FM AMCONSUL PONTA DELGADA  
TO SECSTATE WASHDC 1801  
INFO AMEMBASSY LISBON

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C O N F I D E N T I A L SECTION 2 OF 2 PONTA DELGADA 0377

DEPEND EXCLUSIVELY ON ONE AIRLINE.

4. IN CONCLUSION, MOTA AMARAL INSISTED THAT THE REFORMS PROPOSED BY THE REGIONAL GOVERNMENT ARE TOTALLY COMPATIBLE WITH AND EVEN GUARANTEED BY THE PORTUGUESE CONSTITUTION.

5. IN A STEP NOT TOUCHED UPON BY MOTA AMARAL IN HIS TALK BUT ANNOUNCED ALMOST SIMULTANEOUSLY, THE PRESIDENT REPLACED HIS SECRETARY FOR INDUSTRY AND COMMERCE, ANTONIO MANUEL MEDEIROS FERREIRA, WITH A YOUNG PSD NATIONAL ASSEMBLY DEPUTY FROM SAO MIGUEL, AMERICO NATALINO DE VIVEIROS.

6. COMMENT: MOTA AMARAL'S ADDRESS AND THE CABINET CHANGE WERE AIMED CLEARLY AT REFURBISHING THE RGA'S IMAGE, TARNISHED OF LATE BY THE GOVERNMENT'S INABILITY TO GRAPPLE WITH SOME MAJOR ECONOMIC AND DEVELOPMENTAL PROBLEMS AS WELL AS MOTA AMARAL'S TENDENCY PUBLICLY TO PAPER OVER FOR TACTICAL REASONS RGA FRICTIONS WITH LISBON OVER AUTONOMY. WHILE POPULAR REACTION IS DIFFICULT TO GUAGE, THE LOCAL PRESS AND A NUMBER OF INFORMED CONTACTS HERE PROFESSED NOT TO BE CONVINCED BY MOTA AMARAL'S LATEST PERFORMANCE. INTERESTINGLY, THE RGA PRESIDENT REPORTEDLY HAD TAPED, THEN SCRAPPED, A MUCH MORE HARD HITTING ADDRESS IN WHICH HE EXPRESSED SUPPORT FOR CONFIDENTIAL

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PAGE 02 PONTA 00377 02 OF 02 060609Z

THE MADEIRAN REGIONAL GOVERNMENT'S UNILATERAL PROCLAMATION OF MEASURES TO INSULATE THE ISLAND FROM LISBON'S PACKAGE 2 AUSTERITY PROGRAM AND ANNOUNCED A MUCH MORE FAR-REACHING SHAE-UP OF HIS GOVERNMENT.

7. SEVERAL FACTORS APPARENTLY CONVINCED HIM TO TONE DOWN HIS SPEECH. IT WAS CLEAR FROM THE START THAT THE MADEIRAN REGIONAL GOVERNMENT DID NOT HAVE THE AUTHORITY TO CARRY OUT ITS PLAN TO LOWER INTEREST RATES AND REDUCE IMPORT SURCHARGES WITHOUT CENTRAL GOVERNMENT APPROVAL. THUS WHILE MOTA AMARAL IN FACT ADVOCATES THESE AND OTHER FINANCIAL POWERS FOR THE AUTONOMOUS REGIONS, HE CONCLUDED AT THE LAST MINUTE THAT AN ENDORSEMENT OF THE MADEIRAN ACTION WHILE POPULAR HERE WOULD BE SEEN IN LISBON AS DEFIANCE AND NOT HELP HIS QUEST TO WIN THEM FOR THE AZORES. AS A RESULT HE DECIDED SIMPLY TO REITERATE HIS PLEA FOR FINANCIAL AUTONOMY WHICH HE TOOK PAINS TO POINT OUT WAS PERMITTED THE AUTONOMOUS REGIONS BY THE CONSTITUTION.

8. IN PART HIS CAUTION MIGHT HAVE BEEN RELATED TO HIS DIFFICULTY IN FINDING CANDIDATES FOR A SHAKE-UP OF THE REGIONAL GOVERNMENT'S KEY SECRETARIATS---INDUSTRY AND COMMERCE, AGRICULTURE AND FISHERIES,

AND TRANSPORTATION AND TOURISM. ALL OF THE INCUMBENTS HAD BEEN CRITICIZED FOR DISPLAYING A LACK OF VIGOR AND MANAGERIAL ABILITY WHICH NOT ONLY WAS INCOMPATIBLE WITH MOTA AMARAL'S PLAN FOR ECONOMIC DEVELOPMENT BUT ALSO THE CAUSE FOR PERSISTENT CRITICISM OF RGA FOR INEFFECTIVENESS. AGRICULTURE SECRETARY GERMANO DOMINGOS' REPLACEMENT WAS TO HAVE BEEN FERNANDO FARIA, A FAIAL PSD LEADER AND DOMINGOS' ASSISTANT. HOWEVER, THE EMBARRASSMENT CAUSED TO FARIA BY PREMATURE PRESS SPECULATION ABOUT MOTA AMARAL'S LACK OF CONFIDENCE IN DOMINGOS PERSUADED FARIA TO DECLINE THE APPOINTMENT AT THE LAST MINUTE. WHILE MOTA AMARAL IS EXPECTED TO COMPLETE THE INTENDED CABINET CHANGES BY THE END OF THE YEAR, HIS DIFFICULTIES NOW, AND EVEN HIS CHOICE OF THE INEXPERIENCED NATALINO DE VIVEIROS, CONFIDENTIAL

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PAGE 03 PONTA 00377 02 OF 02 060609Z

UNDERScore THE PAINFULLY THIN STRATA OF POTENTIAL CANDIDATES FOR GOVERNMENT OFFICE FROM WHICH HE MUST CHOOSE.

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SEPTEMBER 30, AZO  
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